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SECURITIES

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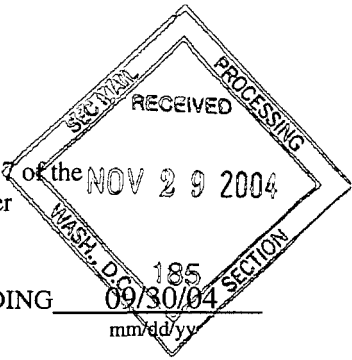
**ANNUAL AUDITED REPORT**

**FORM X-17A-5**

**PART III**

**FACING PAGE**

Information required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder



REPORT FOR THE PERIOD BEGINNING 10/01/03 AND ENDING 09/30/04  
mm/dd/yy mm/dd/yy

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

PERSONAL FINANCIAL CONSULTANTS  
SECURITIES CORPORATION

OFFICIAL USE ONLY

FIRM ID. NO

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do not use P.O. Box No)

229 POLARIS AVENUE #15

(No and Street)

MOUNTAIN VIEW

(city)

CALIFORNIA

(State)

94043

(Zip Code)

PROCESSED

DEC 10 2004

THOMSON  
FINANCIAL

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

LOREN KAYFETZ

(650) 940-1517

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose option is contained in this Report\*

Ernst Wintter & Associates, Certified Public Accountants

(Name - if individual, state last, first, middle name)

675 Ygnacio Valley Road, Suite B-213,

(Address)

Walnut Creek,

(City)

California

(State)

94596

(Zip Code)

CHECK ONE:

- ☒ (X) Certified Public Accountant
- ☐ ( ) Public Accountant
- ☐ ( ) Accountant nor resident in United State or any of its possession.

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the option of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

AP 12-9

## OATH OR AFFIRMATION

I, **LOREN KAYFETZ**, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of **PERSONAL FINANCIAL CONSULTANTS SECURITIES CORPORATION.**, as of **SEPTEMBER 30, 2004**, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

NONE

Subscribed and sworn to before me this  
19<sup>th</sup> day of November, 2004

Peralthena Germo

Notary Public, State of Hawaii

My commission expires July 25, 2008

**PERALTHERA GERMO**

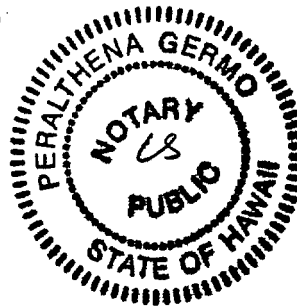
Peralthena Germo

Notary Public

Loren Kayfetz  
Signature

**PRESIDENT**

Title



This report\*\* contains (check all applicable boxes):

- ☒ (X) (a) Facing page.
- ☒ (X) (b) Statement of Financial Conditions.
- ☒ (X) (c) Statement of Income (Loss).
- ☒ (X) (d) Statement of Cash Flows.
- ☒ (X) (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ ( ) (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (X) (g) Computation of Net Capital.
- ☒ (X) (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (X) (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☒ (X) (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirement Under Exhibit A of Rule 15c3-3.
- ☐ ( ) (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (X) (l) An Oath or Affirmation.
- ☐ ( ) (m) A copy of the SIPC Supplemental Report.
- ☐ ( ) (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (X) (o) Independent Auditor's Report on Internal Accounting Control.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

# Personal Financial Consultants Securities Corporation

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Walnut Creek, California 94596

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Fax (925) 944-6333

Independent Auditor's Report

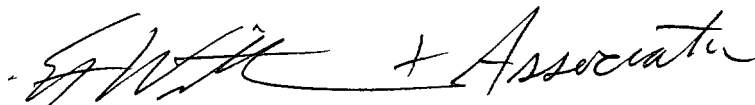
Board of Directors  
Personal Financial Consultants Securities Corporation  
Mountain View, California

We have audited the accompanying statement of financial condition of Personal Financial Consultants Securities Corporation (the Company) as of September 30, 2004, and the related statements of income, changes in stockholder's equity and cash flows, for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Personal Financial Consultants Securities Corporation at September 30, 2004, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I & II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

 + Associates

November 15, 2004

# Personal Financial Consultants Securities Corporation

## Statement of Financial Condition

September 30, 2004

### Assets

Cash	\$ 19,623
Commissions receivable	127,211
Due from shareholder	35,973
Prepaid and other assets	17,438
Equipment, net of \$2,678 of accumulated depreciation	<u>13,389</u>
Total assets	<u>\$ 213,634</u>

### Liabilities and Stockholder's Equity

Accounts payable	\$ 3,155
Taxes payable	6,925
Deferred tax liability	<u>33,420</u>
Total liabilities	43,500

Stockholder's equity	
Common stock (100,000 shares of no par authorized; 5,000 shares issued and outstanding)	\$ 50,000
Retained earnings	<u>120,134</u>
Total stockholder's equity	<u>170,134</u>
Total liabilities and stockholder's equity	<u>\$ 213,634</u>

See independent auditor's report and accompanying notes.

# Personal Financial Consultants Securities Corporation

## Statement of Income (Loss)

For the Year Ended September 30, 2004

### Revenue:

Commissions	\$ 495,454
Investment advisory fees	<u>127,667</u>
Total revenue	\$ 623,121

### Expenses:

Compensation expense	311,702
Rent	26,080
Professional fees	24,095
Insurance	33,041
Depreciation expense	2,678
Other operating expenses	<u>120,657</u>
Total expenses	<u>518,253</u>
Income before income taxes	104,868
Income tax expense	<u>28,784</u>
Net income	<u><u>\$ 76,084</u></u>

See independent auditor's report and accompanying notes.

# Personal Financial Consultants Securities Corporation

## Statement of Changes in Stockholder's Equity

For the Year Ended September 30, 2004

	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Stockholder's Equity</u>
October 1, 2003	\$ 25,000	\$ 44,050	\$ 69,050
Common Stock	25,000		25,000
Net income		<u>76,084</u>	<u>76,084</u>
September 30, 2004	<u>\$ 50,000</u>	<u>\$ 120,134</u>	<u>\$ 170,134</u>

See independent auditor's report and accompanying notes.

# Personal Financial Consultants Securities Corporation

## Statement of Cash Flows

For the Year Ended September 30, 2004

### CASH FLOWS FROM OPERATING ACTIVITIES

Net income	\$76,084
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Deferred tax liability	23,250
Depreciation expense	2,678
(Increase) decrease in:	
Commissions receivable	(34,550)
Due from shareholders	(35,973)
Prepaid and other assets	(6,289)
(Decrease) increase in:	
Accounts payable	1,655
Due to shareholders	(24,477)
Taxes payable	<u>6,925</u>
Net cash provided (used) by operating activities	\$9,303

### CASH FLOWS FROM FINANCING ACTIVITIES

Issuance of stock	25,000
-------------------	--------

### CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of equipment	<u>(16,068)</u>
------------------------	-----------------

Net increase (decrease) in cash	18,235
---------------------------------	--------

Cash at beginning of year	<u>1,388</u>
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Cash at end of year	<u>\$19,623</u>
---------------------	-----------------

### SUPPLEMENTAL DISCLOSURE

Income taxes paid	<u>\$800</u>
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See independent auditor's report and accompanying notes.

# Personal Financial Consultants Securities Corporation

## Notes to the Financial Statements

September 30, 2004

(1) Organization

Personal Financial Consultants Securities Corporation was incorporated in the State of California on March 26, 1990. The purpose of the Corporation is to act as a broker/dealer engaging in general securities activities primarily in Northern California. Significant revenues are generated through investment advisory services and mutual fund transactions, which are processed, directly by the mutual funds.

(2) Summary of Significant Accounting Policies

(a) Security Transactions

Customer securities transactions and related commission income and expenses are recorded on a trade date basis.

(b) Income Taxes

The Company computes its income taxes under Statement of Financial Accounting Standard No. 109, "Accounting for Income Taxes" (SFAS No. 109). Under SFAS No. 109, the difference between the financial statement and tax basis of assets and liabilities is computed annually. Deferred income tax assets and liabilities are computed for those differences that have tax consequences using the currently enacted tax laws and rates that apply to the periods in which they are expected to affect taxable income. Valuation allowances are established, if necessary, to reduce deferred tax asset accounts that will more likely than not be unrealized. Income tax expense is the current tax payable or refundable for the period, plus or minus the net change in the deferred tax asset and liability accounts.

(c) Cash and Cash Equivalents

The Company considers all demand deposits held in banks and certain highly liquid investments with maturities of 90 days or less to be cash equivalents.

(d) Equipment

Equipment is stated at cost. Depreciation is calculated using the straight-line method over the three year estimated useful life of the assets.

(e) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

# Personal Financial Consultants Securities Corporation

## Notes to the Financial Statements

September 30, 2004

(2) Summary of Significant Accounting Policies (continued)

(f) Fair Value of Financial Instruments

Unless otherwise indicated, the fair values of all reported assets and liabilities which represent financial instruments (none of which are held for trading purposes) approximate the carrying values of such amounts.

(3) Income Taxes

Deferred tax assets relate primarily to the California net operating loss carryforwards. Deferred tax liabilities relate primarily to the differences of using the cash method of accounting for tax purposes and the accrual method for financial statement purposes. Since it is more likely than not that deferred tax assets will be realized, a valuation allowance has not been established. Net deferred tax liabilities at September 30, 2004 consisted of the following:

Deferred tax assets	
Federal	\$ 475
State	<u>3,545</u>
Total deferred tax assets	\$ 4,020
Deferred tax liabilities	
Federal	\$23,555
State	<u>13,885</u>
Total deferred tax liabilities	<u>37,440</u>
Net deferred tax liabilities	<u>\$ 33,420</u>

The income tax expense for the year ended September 30, 2004 consisted of the following:

Current	
Federal	\$ 2,975
State	4,750
Deferred	
Federal	14,599
State	<u>6,460</u>
Income tax	<u>\$ 28,784</u>

California tax net operating loss carryforwards at September 30, 2004 were \$36,948, a total of \$2,896 of the California net operating loss carryforward is due to expire in the year ending 2007 and \$34,052 in the year ending 2013.

# Personal Financial Consultants Securities Corporation

## Notes to the Financial Statements

September 30, 2004

(4) Net Capital Requirements

The Company is subject to the Securities and Exchange Commission's uniform net capital rule (Rule 15c3-1) which requires the Company to maintain a minimum net capital equal to or greater than \$5,000 and a ratio of aggregate indebtedness to net capital not exceeding 15 to 1, both as defined. At September 30, 2004, the Company's net capital was \$9,711, which exceeded the requirement by \$4,711.

(5) Pension Plan

The Company has a simplified employee pension plan. All employees at least 21 years of age with 3 years of service are eligible to participate. Employer contributions are based on employee wages earned. Eligible employees could receive contributions from 0% to 25% of wages and salaries at the Company's discretion. Management does not expect to make any contributions for the year ended September 30, 2004.

(6) Related Party Transactions

During the year the company rented property on a month to month basis from the sole shareholder. Total rent paid during the year ended September 30, 2004 was \$21,000.

**SUPPLEMENTAL INFORMATION**

**Personal Financial Consultants Securities Corporation**

**Schedule I**  
**Computation of Net Capital Under Rule 15c3-1 of**  
**the Securities and Exchange Commission**

**As of September 30, 2004**

Net Capital:

Total stockholder's equity qualified for net capital \$ 170,134

Add: Deferred tax liability related to nonallowable assets  
deducted from net capital 33,420

Less: Non-allowable assets

Commissions receivable \$ 127,043

Due from shareholder 35,973

Prepaid and other assets 17,438

Fixed assets 13,389

Total non-allowable assets (193,843)

Net capital \$ 9,711

Net minimum capital requirement of 6 2/3% of aggregate  
indebtedness of \$10,080 or \$5,000, whichever is greater 5,000

Excess net capital \$ 4,711

Reconciliation with Company's computation (included in Part II  
of Form X-17A-5) as of September 30, 2004:

Net capital, as reported in Company's Part II (unaudited) Focus Report \$ 19,790

Increase in stockholder's equity 10,168

Increase in deferred tax related to nonallowable assets 23,250

Increase in non-allowable assets (43,497)

Net capital per above computation \$ 9,711

**Personal Financial Consultants Securities Corporation**

**Schedule II**

**Computation for Determination of Reserve Requirements  
Pursuant to Rule 15c3-3 of the  
Securities and Exchange Commission**

**September 30, 2004**

An exception from Rule 15c3-3 is claimed, based upon section (k)(2)(ii). All customer transactions processed in accordance with Rule 15c3-1(a)(2).

**Information for Possession or Control  
Requirements Under Rule 15c3-3**

**September 30, 2004**

Not applicable.

675 Ygnacio Valley Road, Suite B-213  
Walnut Creek, California 94596

(925) 933-2626  
Fax (925) 944-6333

Independent Auditor's Report on Internal  
Accounting Control Required by SEC Rule 17a-5

Board of Directors  
Personal Financial Consultants Securities Corporation  
Dublin, California

In planning and performing our audit of the financial statements and supplemental schedules of Personal Financial Consultants Securities Corporation (the Company) for the period ended September 30, 2004, we considered its internal control including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objective stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exceptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons
2. Recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payments for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

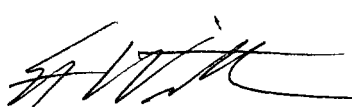
Because of inherent limitations in internal control or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control, including control activities for safeguarding securities that we consider to be material weaknesses as defined above. This condition was considered in determining the nature, timing, and extent of procedures to be performed in our audit of the financial statements of the Company for the period ended September 30, 2004, and this report does not affect our report thereon dated November 15, 2004.

The size of the business and the resultant limited number of employees imposes practical limitations on the effectiveness of those internal control policies and procedures that depend on the segregation of duties. Because this condition is inherent in the size of the Company, the specific weaknesses are not described herein and no corrective action has been taken or proposed by the Company.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at September 30, 2004, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the Securities and Exchange Commission, the National Association of Securities Dealers and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulations of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

 + Associate

November 15, 2004